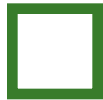


PERAC AUDIT REPORT



Plymouth Contributory
Retirement System
JAN. 1, 2005 - DEC. 31, 2007



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MARY ANN BRADLEY | PAUL V. DOANE | KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS

JOSEPH E. CONNARTON, *Executive Director*

August 29, 2008

The Public Employee Retirement Administration Commission has completed an examination of the Plymouth Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Martin Feeney and John Shea who conducted this examination, and express appreciation to the Board of Retirement, its staff, as well as the System's independent auditors, Powers and Sullivan, for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

Board Attendance:

A review of meeting attendance by Board members revealed one member with significant absenteeism during the audit period. The Ex-Officio Board member, who is the Director of Finance, missed 62.5% of meetings held in 2006.

Recommendation:

Attendance at Board meetings is an obligation that must be fulfilled by all Board members. An absentee rate of twenty-five percent (25%) or more is considered excessive. It is the Board's responsibility to council members to make every effort to uphold their duties to the System and to take appropriate action to ensure participation of all members. The Board may consider changing the time of Board meetings to better accommodate the member's schedule.

Board Response:

In response to your finding regarding the attendance of its ex-officio member, the board had made several accommodations to enable its' ex-officio to attend the meetings, unfortunately, these changes did not rectify his lack of attendance.

Mr. Miller, the prior ex-officio, has since resigned from his position with the town, and Ms. Lynne Barrett has replaced that position with the board.

Ms. Barrett attendance at the board meetings is regular, and the Board has no inclination to believe that this will change. Therefore, our problem with attendance of its ex-officio board member, has been resolved.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2007	2006	2005
Net Assets Available For Benefits:			
Cash	\$1,618,084	\$1,413,281	\$1,667,360
Equities	21,863,524	25,110,548	25,195,455
Pooled Domestic Equity Funds	32,025,259	30,668,588	28,728,993
Pooled International Equity Funds	21,824,090	18,424,133	12,586,748
Pooled Domestic Fixed Income Funds	23,519,346	20,611,666	23,442,132
Pooled Alternative Investment Funds	6,641,788	5,349,442	0
Pooled Real Estate Funds	12,946,669	11,360,458	8,810,345
Accounts Receivable	46,894	14,982	6,649
Accounts Payable	(153,525)	(163,366)	(101,724)
Total	<u>\$120,332,129</u>	<u>\$112,789,732</u>	<u>\$100,335,958</u>
Fund Balances:			
Annuity Savings Fund	\$29,114,888	\$27,567,503	\$26,359,655
Annuity Reserve Fund	13,005,505	12,486,375	11,969,188
Pension Fund	5,267,563	7,279,923	9,153,193
Military Service Fund	40,584	54,382	44,314
Expense Fund	0	0	0
Pension Reserve Fund	<u>72,903,589</u>	<u>65,401,549</u>	<u>52,809,608</u>
Total	<u>\$120,332,129</u>	<u>\$112,789,732</u>	<u>\$100,335,958</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Begining Balance (2005)	\$25,246,932	\$11,483,082	\$10,759,387	\$42,289	\$0	\$46,696,891	94,228,582
Receipts	2,995,102	345,950	6,166,526	2,025	1,025,158	6,112,657	16,647,418
Interfund Transfers	(1,393,155)	1,394,268	(1,173)	0	0	60	0
Disbursements	(489,225)	(1,254,112)	(7,771,546)	0	(1,025,158)	0	(10,540,041)
Ending Balance (2005)	26,359,655	11,969,188	9,153,193	44,314	0	52,809,608	100,335,958
Receipts	3,145,138	359,053	6,278,703	10,068	1,114,682	12,750,739	23,658,383
Interfund Transfers	(1,425,100)	1,425,114	158,783	0	0	(158,798)	(0)
Disbursements	(512,190)	(1,266,980)	(8,310,757)	0	(1,114,682)	0	(11,204,609)
Ending Balance (2006)	\$27,567,504	\$12,486,374	\$7,279,923	\$54,382	\$0	\$65,401,549	\$112,789,732
Receipts	3,504,045	375,320	6,716,644	14,042	1,211,729	7,501,767	19,323,547
Interfund Transfers	(1,498,120)	1,505,163	(6,795)	(522)	0	274	(0)
Disbursements	(458,541)	(1,361,354)	(8,722,208)	(27,319)	(1,211,729)	0	(11,781,150)
Ending Balance (2007)	<u>\$29,114,889</u>	<u>\$13,005,505</u>	<u>\$5,267,563</u>	<u>\$40,583</u>	<u>\$0</u>	<u>\$72,903,589</u>	<u>\$120,332,128</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Annuity Savings Fund:			
Members Deductions	\$2,999,992	\$2,743,943	\$2,621,536
Transfers from Other Systems	228,187	175,989	163,740
Member Make Up Payments and Re-deposits	81,939	72,436	51,468
Member Payments from Rollovers	33,808	602	12,868
Investment Income Credited to Member Accounts	160,119	152,169	145,491
Sub Total	3,504,045	3,145,138	2,995,102
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	375,320	359,053	345,950
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	234,714	220,660	267,563
Pension Fund Appropriation	203,843	259,751	459,542
	6,278,086	5,798,293	5,439,421
Sub Total	6,716,644	6,278,703	6,166,526
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	13,800	9,843	1,771
Investment Income Credited to the Military Service Fund	242	225	254
Sub Total	14,042	10,068	2,025
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	1,211,729	1,114,682	1,025,158
Sub Total	1,211,729	1,114,682	1,025,158
Pension Reserve Fund:			
Federal Grant Reimbursement	35,731	17,372	24,587
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	4,350	3,149	4,618
Miscellaneous Income	19,547	7,874	2,433
Excess Investment Income	7,442,139	12,722,343	6,081,019
Sub Total	7,501,767	12,750,739	6,112,657
Total Receipts	\$19,323,547	\$23,658,383	\$16,647,418

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Refunds to Members	\$269,941	\$309,565	\$332,000
Transfers to Other Systems	<u>188,600</u>	<u>202,625</u>	<u>157,225</u>
Sub Total	<u>458,541</u>	<u>512,190</u>	<u>489,225</u>
Annuity Reserve Fund:			
Annuities Paid	1,357,125	1,243,884	1,157,463
Option B Refunds	<u>4,229</u>	<u>23,097</u>	<u>96,649</u>
Sub Total	<u>1,361,354</u>	<u>1,266,980</u>	<u>1,254,112</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	6,190,206	5,852,835	5,516,184
Survivorship Payments	198,025	165,305	152,672
Ordinary Disability Payments	94,030	91,793	89,445
Accidental Disability Payments	1,560,085	1,558,380	1,395,234
Accidental Death Payments	267,835	257,376	232,776
Section 101 Benefits	27,661	26,826	25,462
3 (8) (c) Reimbursements to Other Systems	159,455	124,147	111,804
State Reimbursable COLA's Paid	201,945	211,129	224,284
Chapter 389 Beneficiary Increase Paid	<u>22,966</u>	<u>22,966</u>	<u>23,686</u>
Sub Total	<u>8,722,208</u>	<u>8,310,757</u>	<u>7,771,546</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>27,319</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	2,500	3,000	3,000
Salaries	198,388	181,871	167,401
Legal Expenses	53,757	43,288	36,467
Medical Expenses	0	101	100
Travel Expenses	13,314	25,543	21,592
Administrative Expenses	14,724	15,246	28,141
Furniture and Equipment	14	5,365	19,153
Management Fees	714,249	627,796	554,172
Custodial Fees	101,284	80,888	73,908
Consultant Fees	49,875	58,225	59,775
Rent Expenses	38,133	37,324	15,552
Service Contracts	16,642	26,977	38,855
Fiduciary Insurance	<u>8,849</u>	<u>9,059</u>	<u>7,044</u>
Sub Total	<u>1,211,729</u>	<u>1,114,682</u>	<u>1,025,158</u>
Total Disbursements	<u><u>\$11,781,150</u></u>	<u><u>\$11,204,609</u></u>	<u><u>\$10,540,041</u></u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Investment Income Received From:			
Cash	\$34,891	\$100,681	\$48,345
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	324,474	255,334	184,711
Pooled or Mutual Funds	4,128,765	2,873,965	1,901,191
Commission Recapture	0	0	0
Total Investment Income	<u>4,488,130</u>	<u>3,229,980</u>	<u>2,134,247</u>
Plus:			
Realized Gains	2,005,565	1,790,302	1,581,039
Unrealized Gains	11,840,670	13,341,042	9,465,157
Interest Due and Accrued - Current Year	0	0	0
Sub Total	<u>13,846,236</u>	<u>15,131,344</u>	<u>11,046,196</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(833,677)	(1,216,908)	(1,577,507)
Unrealized Loss	(8,311,140)	(2,795,946)	(4,005,065)
Interest Due and Accrued - Prior Year	0	0	0
Sub Total	<u>(9,144,817)</u>	<u>(4,012,854)</u>	<u>(5,582,572)</u>
Net Investment Income	<u>9,189,549</u>	<u>14,348,471</u>	<u>7,597,872</u>
Income Required:			
Annuity Savings Fund	160,119	152,169	145,491
Annuity Reserve Fund	375,320	359,053	345,950
Military Service Fund	242	225	254
Expense Fund	1,211,729	1,114,682	1,025,158
Total Income Required	<u>1,747,410</u>	<u>1,626,128</u>	<u>1,516,853</u>
Net Investment Income	<u>9,189,549</u>	<u>14,348,471</u>	<u>7,597,872</u>
Less: Total Income Required	<u>1,747,410</u>	<u>1,626,128</u>	<u>1,516,853</u>
Excess Income To The Pension Reserve Fund	<u>\$7,442,139</u>	<u>\$12,722,343</u>	<u>\$6,081,019</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,618,084	1.3%	100%
Equities	21,863,524	18.2%	65%
Pooled Domestic Equity Funds	32,025,259	26.6%	65%
Pooled International Equity Funds	21,824,090	18.1%	65%
Pooled Domestic Fixed Income Funds	23,519,346	19.5%	40-80%
Pooled Alternative Investment Funds	6,641,788	5.5%	10%
Pooled Real Estate Funds	<u>12,946,669</u>	<u>10.7%</u>	10%
Grand Total	<u><u>\$120,438,760</u></u>	<u><u>100.0%</u></u>	

For the year ending December 31, 2007, the rate of return for the investments of the Plymouth Retirement System was 8.25%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Plymouth Retirement System averaged 12.81%. For the twenty-three-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Plymouth Retirement System was 10.08%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Plymouth Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

May 12, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Plymouth Retirement Board may transfer assets out of the State Street Global Advisors "Equal Weighted" S&P 500 Index Fund into the SSGA Flagship S&P 500 Index Fund. Both funds invest in the same universe of securities. In making this change, the Board is choosing a fund with a slightly higher opportunity/risk profile. The Flagship Fund also has slightly lower annual expenses.

May 2, 1996

20.03(4) International equity and fixed income investments shall not exceed 20% of the total portfolio valued at market.

February 15, 1995

16.02(4) The board may employ a custodian bank and may charge such expenses retroactive to January 1, 1994 against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund.

July 7, 1994

20.04(6) Foreign corporations and obligations issued and guaranteed by foreign governments.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States or traded in foreign stock markets.

May 12, 1994

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

- (a) 1% of the value of the fund for the first \$5 million; and
- (b) 0.5% of the value of the fund in excess of \$5 million.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

December 17, 1992

20.03(1) Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.

February 4, 1992

20.07(4) No more than 8% of the total book value of equity investments shall be invested in the equity securities of any one company.

September 26, 1990

20.04(1) United States based corporations and fixed income and equity securities of non-U.S. based corporations, provided that:

a) all such fixed income securities are denominated in U.S. currency and issued and traded in U.S. markets, and provided further that the total of all such fixed income securities shall be considered part of the board's fixed income asset allocation and shall not exceed 5% of the total market value of the fixed income portfolio.

b) all such equity securities are denominated in U.S. currency and issued and traded in U.S. markets, and provided further that the total of all such equity securities shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 1% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of CC or equivalent as rated by one or more recognized bond rating services.

20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a BAA or equivalent rating must be sold within a reasonable period of time not to exceed one year, provided however, that a portion of the fixed income portfolio not exceeding 1% of the market value of the fixed income portfolio which has been downgraded below BAA or equivalent may be held at the discretion of the board's qualified investment advisor.

January 23, 1990

20.07(6) Sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve month period.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Plymouth Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$667.92 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Plymouth Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

March 19, 2004

A member of the Plymouth Retirement System who sustains an injury as a result of, and while in the performance of, his duties, or who believes that he has been exposed to an occupational hazard, shall complete a notice of injury and/or accident report, or the equivalent thereto, which specifically identifies the date, time and place of injury, the specific duty being performed at the time of said injury, identify the actual injury sustained or hazard undergone, identify any witnesses to said injury, the department for which the employee works, the title of the employee and to whom the injury was first reported. Said notice of injury or accident report must be filed with the Board within 90 days of suffering said injury.

October 8, 2002

Creditable Service: Members of the Plymouth Retirement System shall receive creditable service in the following:

For a member in service who is employed in a full-time capacity while an employee in the Town of Plymouth, he/she will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service.

For a member in service who is employed in a part-time capacity throughout his/her entire career while an employee in the Town of Plymouth, he/she will receive one year of creditable service for each full calendar in which the employee is receiving regular compensation for said service.

For a member in service who has been employed in both a full-time and part-time capacity while an employee in the Town of Plymouth, the member will receive full-time credit for full-time service, and prorated credit for part-time service based on the full-time equivalency of 37.5 hours for the position.

For a member who is employed in a part-time capacity throughout his/her entire career while an employee in the Town of Plymouth, but who either purchase's past refunded service, or has transferred into the Plymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

service, rendered in a full-time capacity, the member's part-time service shall be prorated based on the full-time equivalency of the position.

In the case of School Department or Town employees whose full-time employment only requires them to work 10 months (September 1 - June 30), said employees shall receive one month of creditable service for each full month the employee is receiving regular compensation, with 10 months being the equivalent of one year of creditable service.

Any member who purchases past service rendered shall have said service prorated based on 37.5 hours being considered a full week of service. In the case of an employee who has worked part-time his or her entire career, the purchase of past service rendered shall be calculated based on 20 hours being considered a full week of service.

October 8, 2002

Travel Regulations: The Board has adopted supplementary rules under the provisions of G.L. c. 7, § 50 relating to attendance at and participation in educational conferences and seminars which address issues related to the Board's fiduciary duty and administrative responsibility for the management of the retirement system. (Regulation available upon written request.)

December 18, 2001

Election of Board Members: The Plymouth Retirement Board shall conduct a simultaneous election for the two elected members of the Board. Both terms of the elected members shall be for three years and expire on the same date. In conducting the election, the Board shall place all candidates who have been nominated in conformance with 840 CMR 7.04 on one ballot.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

All eligible candidates shall be listed on the ballot in an order determined by a random drawing of the names of the candidates. In the event that only two candidates have been nominated, the Board shall declare said candidates to be the elected members of the Board, no elections shall be held, and said candidates shall take office and serve in all respects as though he or she had been elected by election. If there are more than two candidates, an election shall be conducted and each member of or retired from the Plymouth Retirement Board shall be allowed to vote for not more than two candidates.

Upon tabulation of the ballots, the two candidates who receive the most votes shall be declared the elected members of the Board. In the event of a vacancy, a new election shall be conducted to fill a vacancy as soon as practicable and the member elected shall serve for the unexpired portion of the vacant term.

March 1, 1995

Creditable Service: Creditable service for part-time or full time employees, either actively contributing or, in the computation to determine make-ups, shall be determined retroactively based upon the following, unless that person has retired or left the employment of the town.

Less than two (2) weeks in any year-----No credit

Two(2) weeks to One (1) month-----One (1) month

One (1) month to Six (6) months-----Month for month

Seven (7) months and over-----One (1) year

One (1) year of credit for seven (7) months of service may only be granted if the work is determined by the retirement board to be seasonal in nature. One (1) year of credit for ten (10) months of service may only be granted for school employees whose work schedule is the academic school year.

July 22, 1991

Membership: All permanent regularly scheduled persons, whether full or part-time and all permanent intermittent full-time police officers and firefighters, shall be eligible for membership in the Town of Plymouth Retirement System and shall submit an application for such membership. In the categories as outlined above, anyone earning at least \$200. per annum must become a member of system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

March 5, 1990

Creditable Service: For every two years of call firefighter service, this board will grant one year of creditable service, not to exceed a maximum of five years, and such service to be credited only if later appointed as a permanent member of the Fire Department.

February 1, 1990

Creditable Service: To establish a standard policy that C.E.T.A. service not be considered as creditable service and liability on such service will not be accepted by the Plymouth Retirement Board.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Finance Director who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Lynne Barrett

Appointed Member: John Murphy Term Expires: 06/30/2008

Elected Member: Richard Manfredi Term Expires: 06/30/2009

Elected Member: Thomas Kelley Term Expires: 06/30/2009

Appointed Member: Shawn Duhamel Term Expires: 06/30/2008

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$50,000,000 Fiduciary Liability
Ex-officio Member:)	\$ 1,000,000 Fidelity Bond
Elected Member:)	
Appointed Member:)	Traveler's, Arch and National Union Fire
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2007.

The actuarial liability for active members was	\$70,512,886
The actuarial liability for retired and inactive members was	<u>94,531,516</u>
The total actuarial liability was	165,044,402
System assets as of that date were	<u>112,789,732</u>
 The unfunded actuarial liability was	 <u>\$52,254,670</u>
The ratio of system's assets to total actuarial liability was	68.3%
As of that date the total covered employee payroll was	\$32,532,000

The normal cost for employees on that date was 8.70% of payroll

The normal cost for the employer was 3.10% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.25% per annum
Rate of Salary Increase:	4.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2007	\$112,790,000	\$165,044,000	\$52,254,000	68.3%	\$32,532,000	160.6%
1/1/2005	\$94,010,000	\$154,190,000	\$60,180,000	61.0%	\$30,061,000	200.2%
1/1/2003	\$77,285,000	\$124,140,000	\$46,855,000	62.3%	\$28,957,000	161.8%
1/1/2001	\$85,389,000	\$114,181,000	\$28,792,000	74.8%	\$27,445,000	104.9%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	20	2	17	n/a	25	99	26	26	24	7
Ordinary Disability	1	0	0	n/a	0	0	1	0	0	0
Accidental Disability	1	0	2	n/a	1	4	2	3	2	0
Total Retirements	22	2	19	n/a	26	103	29	29	26	7
Total Retirees, Beneficiaries and Survivors	382	379	400	372	412	487	480	497	500	531
Total Active Members	958	1,016	1,006	1,066	1,041	987	1,188	1,070	1,121	1,093
Pension Payments										
Superannuation	\$1,924,728	\$2,086,148	\$2,404,724	\$2,620,340	\$3,222,156	\$3,816,234	\$5,249,680	\$5,516,184	\$5,852,835	\$6,190,206
Survivor/Beneficiary Payments	129,283	127,016	130,144	169,696	134,912	144,670	150,634	152,672	165,305	198,025
Ordinary Disability	81,337	83,797	87,558	88,953	76,561	74,888	87,321	89,445	91,793	94,030
Accidental Disability	1,051,099	1,087,972	1,122,235	1,188,887	1,009,505	1,090,453	1,272,741	1,395,234	1,558,380	1,560,085
Other	577,028	651,619	600,224	684,020	658,633	682,708	669,375	618,012	642,444	679,862
Total Payments for Year	<u>\$3,763,475</u>	<u>\$4,036,552</u>	<u>\$4,344,885</u>	<u>\$4,751,896</u>	<u>\$5,101,767</u>	<u>\$5,808,952</u>	<u>\$7,429,751</u>	<u>\$7,771,546</u>	<u>\$8,310,757</u>	<u>\$8,722,208</u>

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